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No. 97-1175

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1997

ENTERTAINMENT RESEARCH GROUP, INC.,
a California corporation,

Petitioner,

vs.

GENESIS CREATIVE GROUP, INC.,
a Michigan corporation;

AEROSTAR INTERNATIONAL, INC.,
a South Dakota corporation,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION

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STATEMENT OF THE CASE

This petition seeks review of the Ninth Circuit's opinion sustaining summary judgment in favor of Defendants Genesis Creative Group, Inc. ("Genesis") and Aerostar International, Inc. ("Aerostar"). Petitioner, Entertainment Research Group, Inc. ("ERG") seeks review of two issues addressed by the Ninth Circuit. The first issue concerns the Ninth Circuit's application of the Copyright Act, 17 U.S.C. § 103, to derivative copyrights for inflatable walkaround costumes. The second concerns the Ninth Circuit's application of California state law as it pertains to a claim for breach of confidentiality.

As detailed below, there is no compelling reason for this Court to review the Ninth Circuit's opinion. The Ninth Circuit correctly held that ERG had no valid copyright in any of the costumes at issue. The Ninth Circuit also correctly stated and applied California law relating to ERG's breach of confidentiality claim.

A. The Petition Misrepresents the Factual Findings of the Ninth Circuit.

The business relationship between Genesis and ERG commenced in February 1989. By September 1990, more than 48 ERG-manufactured costumes had been purchased by Genesis from ERG and then re-sold to Genesis' customers. Those customers included at least 9 different companies representing 13 different cartoon characters. *Entertainment Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1215 (9th Cir. 1997). On September 28, 1990, Genesis' employees signed a written Confidential Disclosure Agreement. Pursuant to the

terms of the agreement, Genesis agreed that it would not disclose "valuable and proprietary technical information."

Contrary to ERG's contentions, Genesis never agreed to become the exclusive manufacturer's representative, or any type of representative, for ERG. The undisputed evidence before the Ninth Circuit clearly established that Genesis had purchased different types of costumes from ERG and re-sold them at varying markups to Genesis' customers and *not* ERG's customers. *Id.* at 1225-26.

The Ninth Circuit held as a matter of law that based upon the undisputed evidence ERG could never establish that it conveyed any confidential or novel information to Genesis. *Id.* at 1227-28. Thus, contrary to ERG's contention, Genesis could not have provided Aerostar with any secret or proprietary information belonging to ERG. Petitioner's Brief at p. 3.

B. The Petition Misstates the Applicable California Law.

ERG contends that a different test is applied, under California law, for tort claims of breach of confidence as opposed to claims for breach of written confidentiality agreements. ERG contends that the Ninth Circuit applied an erroneous tort standard when, in fact, the claim was for breach of a written Confidential Disclosure Agreement. As discussed below, the Ninth Circuit properly applied California law when it analyzed ERG's breach of confidentiality claim.

REASONS FOR DENYING THE WRIT

A. The Ninth Circuit Properly Applied Existing Copyright Law To Inflatable Walkaround Costumes.

The costumes at issue are sculptural works as defined by the Copyright Act, 17 U.S.C. § 102(5). See *Entertainment Research*, 122 F.3d at 1221. The Ninth Circuit correctly stated that "any aspects of ERG's costumes that are purely functional, utilitarian or mechanical, will not be given copyright protection." *Id.*

While it is true that theatrical and motion picture works, as well as software programs, are derivative works, it is not true that the Ninth Circuit's opinion in this case will foster litigation or even impact these other works as ERG suggests. The Ninth Circuit found that the costumes at issue were functional and that any artistic differences between the preexisting works and the ERG costumes were merely trivial and not copyrightable. *Id.* at 1222.

The copying of the Pillsbury Doughboy performed by ERG to create costumes is different from the transformation of copyrighted literary works into theatrical or motion picture works or the manipulation of software codes. In the first instance, ERG was hired to manufacture exact replicas of the preexisting copyrighted characters. In the later, original perceivable ideas and concepts are added to preexisting copyrighted works. It is the lack of originality that distinguishes ERG's costumes from theatrical productions, motion pictures and derivative software.

The Ninth Circuit properly applied the Second Circuit's test as set forth in *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980). Contrary to the contentions of ERG, the Ninth Circuit did not establish a new test. Nor is there any inconsistency between the *Durham* test and the Copyright Act, 17 U.S.C. § 103. Furthermore, regardless of the test applied, the Ninth Circuit found that ERG's costumes lacked the originality necessary for copyright protection. *Entertainment Research*, 122 F.3d at 1222-24. More importantly, the Ninth Circuit did not ignore its precedent, as petitioner claims. Petitioner's Brief at p. 6. The Ninth Circuit expressly distinguished its decision in *Sunset House Distributing Corp. v. Doran*, 304 F.2d 251 (9th Cir. 1962). *Id.* at 1219. Its opinion is limited to costumes that "were based on preexisting works that were copyrighted and owned by the ultimate purchasers." *Id.* Thus, there is no reason for the Court to review the Ninth Circuit's ruling with respect to the derivative copyright issue.

B. The Ninth Circuit Properly Applied California Law To ERG's Breach Of Confidentiality Claim.

ERG's attempt to link the California state law claim to its derivative copyright claim is a transparent attempt to convince the Court that there is a compelling reason to review this case. ERG argues in its petition that the Ninth Circuit somehow analyzed ERG's breach of confidentiality claim in light of the Court's disposition of ERG's derivative copyright claim. The Ninth Circuit did nothing of the sort. Rather, the Ninth Circuit analyzed ERG's derivative copyright claim, *see Entertainment Research*, 122

F.3d at 1217-24, and then set forth a separate part of the opinion dealing exclusively with the state law issue. *Id.* at 1226.

The Supreme Court's long-standing policy is to defer to the lower federal courts on determinations of state law. *See Haring v. Prosise*, 462 U.S. 306, 314 n.8, 103 S.Ct. 2368, 76 L.Ed.2d 595 (1983); *Virginia v. The American Booksellers Ass'n*, 484 U.S. 383, 394-399, 108 S.Ct. 636, 98 L.Ed.2d 782 (1988); *Pembaur v. City of Cincinnati*, 475 U.S. 469, 484 n.13, 106 S.Ct. 1292, 89 L.Ed.2d 452 (1986). No reason exists to depart from this policy in this case.

Even without this Court's policy not to review state law questions, ERG's argument fails. The Ninth Circuit properly applied California law to ERG's breach of confidentiality claim. ERG relies upon *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 902 (9th Cir. 1987) for the proposition that California law "applies a different set of standards to a claim of breach of confidentiality *contract* then it does to a claim under a 'breach of confidence' tort." Petitioner's Brief at p. 10 (emphasis in original). ERG misreads *Aliotti*. The *Aliotti* court analyzed two separate issues: one for an implied in-fact contract; and one for breach of confidence. *See Aliotti*, 831 F.2d at 902. The Ninth Circuit was well aware of the *Aliotti* opinion. It even cited it. *Entertainment Research*, 122 F.3d at 1227-28.

Furthermore, the Ninth Circuit recognized that a breach of confidence claim under California law "is based upon the concept of an implied obligation *or contract* between the parties that confidential information will not be disclosed." *Entertainment Research*, 122 F.3d at 1226-27 (citations omitted, citing both California and federal

authority) (emphasis added). ERG's attempted reliance upon *Blaustein v. Burton*, 9 Cal. App. 3d 161 (1970) is misplaced. *Blaustein* concerns the disclosure of an abstract idea, and whether there was a promise to pay for the idea before its disclosure. In this case, ERG did not disclose "ideas" to Genesis, and more importantly, Genesis never agreed to pay ERG before ERG disclosed any information relating to the costumes.[1] Indeed, ERG had already sold the costumes to Genesis and others before the Disclosure Agreement was even signed. *Entertainment Research*, 122 F.3d at 1215. The Ninth Circuit properly applied the law to the facts of this case.

ERG then claims that: "the Ninth Circuit overlooked the undisputed fact that the parties had made an express agreement by way of the Confidential Disclosure Agreement signed by ERG and Genesis." Petitioner's Brief at p. 11. ERG makes this statement without citation. ERG's assertion is in direct conflict with the Ninth Circuit's opinion. The Ninth Circuit expressly recognized the existence of the Confidential Disclosure Agreement between the parties and further described it at footnote 11. *See Entertainment Research*, 122 F.3d at 1226 & n.11. The Ninth Circuit also addressed the existence of the Confidential Disclosure Agreement when it discussed ERG's claim that certain price information was wrongfully disclosed. *Id.* at 1228.

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[1] In this case, the sole purpose of the confidentiality agreement was to facilitate further discussions between Genesis and ERG to determine whether the parties would enter into an agency agreement. *Entertainment Research*, 1222 F.3d at 1226. Genesis paid no consideration to ERG upon entering into the Confidential Disclosure Agreement.

ERG then makes yet another unsupported claim that: "[t]he Ninth Circuit seems to feel, given that it held that ERG did not hold any copyright protection, that proprietary and secret information, designated at such, cannot be allowed to stand – a dangerous precedent." Petitioner's Brief at p. 11. Again, ERG makes this statement without citation to the Ninth Circuit's opinion. Even a cursory reading of Section III of the Ninth Circuit's opinion on the breach of confidentiality claim reveals that the Ninth Circuit did not "backward reason" the breach of confidentiality claim from its ruling on the derivative copyright claim as ERG contends.

In fact, the Ninth Circuit stated the exact opposite. To wit, "Information need not be protectable either as a trade secret . . . or by copyright law . . . to be the subject of a breach of confidentiality claim." *Entertainment Research,* 122 F.3d at 1227 (citations omitted). Despite this, ERG cites this Court to a series of trade secret opinions which have no bearing on this case to further attempt to confuse the issue presented for review. The Ninth Circuit's opinion properly applied California law to ERG's breach of confidentiality claim and further analyzed it entirely separate from ERG's derivative copyright claim.

ERG has failed to identify any compelling reason to grant its petition. Absent such a reason the petition should be denied. United States Supreme Court Rule 10.

CONCLUSION

For the reasons given above, the petition should be denied.

Respectfully submitted,

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